



**THE NATIONAL SHIPPING  
COMPANY OF SAUDI ARABIA**

**(A Saudi Joint Stock Company)**

Condensed Consolidated Interim  
Financial Statements (Unaudited)  
and review report for the three-month period ended  
31 March 2022

**INDEX****PAGE**

Independent auditor's report on review of condensed consolidated interim financial statements	1-2
Condensed consolidated statement of financial position	3
Condensed consolidated statement of profit or loss	4
Condensed consolidated statement of other comprehensive income	5
Condensed consolidated statement of cash flows	6
Condensed consolidated statement of changes in equity	7
Notes to the condensed consolidated interim financial statements	8-19

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## KPMG Professional Services

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Headquarters in Riyadh

## كي بي إم جي للاستشارات المهنية

واجهة الرياض، طريق المطار  
صندوق بريد ٩٢٨٧٦  
الرياض ١١٦٦٣  
المملكة العربية السعودية  
سجل تجاري رقم ١٠١٠٤٢٥٤٩٤

المركز الرئيسي في الرياض

# Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of The National Shipping Company of Saudi Arabia

## Introduction

We have reviewed the accompanying 31 March 2022 condensed consolidated interim financial statements of The National Shipping Company of Saudi Arabia ("the Company") and its subsidiaries ("the Group") which comprises:

- the condensed consolidated statement of financial position as at 31 March 2022;
- the condensed consolidated statement of profit or loss for the three-month period ended 31 March 2022;
- the condensed consolidated statement of comprehensive income for the three-month period ended 31 March 2022;
- the condensed consolidated statement of changes in equity for the three-month period ended 31 March 2022;
- the condensed consolidated statement of cash flows for the three-month period ended 31 March 2022; and
- the notes to the condensed consolidated interim financial statements.

Management is responsible for the preparation and presentation of these condensed consolidated interim financial statements in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia. Our responsibility is to express a conclusion on these condensed consolidated interim financial statements based on our review.

## Scope of review

We conducted our review in accordance with the International Standard on Review Engagements 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' that is endorsed in the Kingdom of Saudi Arabia. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing that are endorsed in the Kingdom of Saudi Arabia, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



# Independent auditor's report on review of condensed consolidated interim financial statements

To the Shareholders of The National Shipping Company of Saudi Arabia (continued)

## Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying 31 March 2022 condensed consolidated interim financial statements of The National Shipping Company of Saudi Arabia and its subsidiaries are not prepared, in all material respects, in accordance with IAS 34, 'Interim Financial Reporting' that is endorsed in the Kingdom of Saudi Arabia.

## KPMG Professional Services

**Fahad Mubark Aldossari**  
License No: 469

Riyadh, 25 April 2022  
Corresponding to 24 Ramadan 1443H



THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA  
(A Saudi Joint Stock Company)  
Condensed consolidated statement of financial position  
As at 31 March 2022

	Note	31 March 2022 (Unaudited) SAR '000	31 December 2021 (Audited) SAR'000
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	6	13,748,116	13,949,152
Projects under construction	7	1,439,972	1,298,464
Right of use assets		483,953	515,721
Intangible assets		443,088	454,056
Equity accounted investees		1,595,370	1,497,605
Other non-current financial assets		49,413	42,880
<b>TOTAL NON-CURRENT ASSETS</b>		<b>17,759,912</b>	<b>17,757,878</b>
<b>CURRENT ASSETS</b>			
Inventories		549,295	479,858
Trade receivables and contract assets		1,616,265	1,383,509
Prepayments and other current assets		656,073	661,648
Investment in Murabaha fund at FVTPL	10	188,687	188,456
Cash and cash equivalents		1,228,954	1,178,269
<b>TOTAL CURRENT ASSETS</b>		<b>4,239,274</b>	<b>3,891,740</b>
<b>TOTAL ASSETS</b>		<b>21,999,186</b>	<b>21,649,618</b>
<b>EQUITY AND LIABILITIES</b>			
<b>EQUITY</b>			
Share capital		3,937,500	3,937,500
Statutory reserve		1,232,034	1,232,034
Share premium		1,489,103	1,489,103
Other reserves		12,178	186
Retained earnings		2,819,182	2,754,283
<b>Equity attributable to equity holders of the</b>			
Parent Company		9,489,997	9,413,106
Non-controlling interests		556,535	546,891
<b>TOTAL EQUITY</b>		<b>10,046,532</b>	<b>9,959,997</b>
<b>LIABILITIES</b>			
<b>NON-CURRENT LIABILITIES</b>			
Loans and borrowings	8	4,780,958	4,548,020
Employees' end of service benefits		69,861	70,510
Lease liabilities		370,081	397,906
Derivative financial instruments	10	5,522	8,604
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>5,226,422</b>	<b>5,025,040</b>
<b>CURRENT LIABILITIES</b>			
Loans and borrowings-current portion	8	5,068,469	5,060,830
Lease liabilities-current portion		120,326	124,700
Trade and other payables		1,295,492	1,256,584
Provision for Zakat and income tax	11	241,945	222,467
<b>TOTAL CURRENT LIABILITIES</b>		<b>6,726,232</b>	<b>6,664,581</b>
<b>TOTAL LIABILITIES</b>		<b>11,952,654</b>	<b>11,689,621</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>21,999,186</b>	<b>21,649,618</b>

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board Member

The accompanying notes 1 to 14 form an integral part of these condensed consolidated interim financial statements.

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA  
(A Saudi Joint Stock Company)  
Condensed consolidated statement of profit or loss  
For the three-month period ended 31 March 2022

	For the three-month period ended 31 March	
	2022 (Unaudited)	2021 (Unaudited)
Revenue	1,579,072	1,189,199
Operating costs	(1,444,043)	(1,117,186)
<b>Gross profit before bunker subsidy</b>	<b>135,029</b>	<b>72,013</b>
Bunker subsidy	21,145	12,186
<b>Gross profit</b>	<b>156,174</b>	<b>84,199</b>
General and administrative expenses	(39,323)	(41,726)
(Provision)/ reversal on trade receivables and contract assets	(3,607)	13,575
Other income, net	5,819	5,319
<b>Total operating profit</b>	<b>119,063</b>	<b>61,367</b>
Finance costs	(35,471)	(42,347)
Share in results of equity accounted investees	11,202	49,153
<b>Profit before Zakat and income tax</b>	<b>94,794</b>	<b>68,173</b>
Zakat and income tax	(20,251)	(12,891)
<b>Profit for the period</b>	<b>74,543</b>	<b>55,282</b>
<b>Profit for the period attributable to:</b>		
Equity holders of the Parent Company	64,899	43,557
Non-controlling interests	9,644	11,725
	<b>74,543</b>	<b>55,282</b>
<b>Earnings per share (Saudi Riyal):</b>		
Basic & diluted	9 0.16	0.11

  
Chief Financial Officer

  
Chief Executive Officer

  
Authorized Board Member

The accompanying notes 1 to 14 form an integral part of these condensed consolidated interim financial statements

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA  
(A Saudi Joint Stock Company)  
Condensed consolidated statement of other comprehensive income  
For the three-month period ended 31 March 2022

	For the three-month period ended 31 March	
	2022 (Unaudited)	2021 (Unaudited)
<b>Profit for the period</b>	74,543	55,282
<b>Items that will not be reclassified to profit or loss</b>		
Re-measurement of employees' end of service benefits	55	(25)
<b>Items that are or may be reclassified subsequently to profit or loss</b>		
Equity accounted investees share of OCI	11,937	6,884
<b>Total comprehensive income for the period</b>	<u>86,535</u>	<u>62,141</u>
<b>Total comprehensive income attributable to:</b>		
Equity holders of the Parent Company	76,891	50,416
Non-controlling interests	9,644	11,725
<b>Total comprehensive income for the period</b>	<u>86,535</u>	<u>62,141</u>



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompanying notes 1 to 14 form an integral part of these condensed consolidated interim financial statements

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA  
(A Saudi Joint Stock Company)  
Condensed consolidated statement of cash flows  
For the three-month period ended 31 March 2022

	Note	31 March 2022 (Unaudited) SAR'000	31 March 2021 (Unaudited) SAR'000
<b>OPERATING ACTIVITIES</b>			
Profit for the period		74,543	55,282
<b>Adjustments to reconcile profit for the period to net cash flows resulted from operating activities</b>			
Depreciation of property and equipment	6	271,742	251,377
Depreciation of right of use assets		31,768	13,319
Amortization of intangible assets		12,170	11,768
Provision /(reversal) on trade receivables and contract assets		3,607	(13,575)
Finance costs		35,471	42,347
Share in results of equity accounted investees		(11,202)	(49,153)
Unrealized gain from investment in Murabaha fund at FVTPL		(231)	-
Gain on disposal of property and equipment		-	(61)
Zakat and income tax		20,251	12,891
Employees' end of service benefits		1,685	3,427
		<u>439,804</u>	<u>327,622</u>
<b>Changes in operating assets and liabilities:</b>			
Inventories		(69,437)	(87,327)
Trade receivables and contract assets		(236,363)	159,081
Prepayments and other current assets		8,611	86,749
Trade and other payables		50,643	(51,035)
<b>Cash generated from operating activities</b>		<u>193,258</u>	<u>435,090</u>
Finance costs paid		(64,146)	(62,778)
Zakat and income tax paid		(773)	(158)
Employees' end of service benefits paid		(2,279)	(1,748)
<b>Net cash generated from operating activities</b>		<u>126,060</u>	<u>370,406</u>
<b>INVESTING ACTIVITIES</b>			
Additions of property and equipment		(97,146)	(70,881)
Projects under construction		(115,068)	(126,941)
Additions to intangible assets		(1,202)	3,644
Proceeds from disposal of property and equipment		-	885
Investment in equity accounted investees		(74,626)	(25,000)
Other non-current financial assets		5,571	4,745
<b>Net cash used in investing activities</b>		<u>(282,471)</u>	<u>(213,548)</u>
<b>FINANCING ACTIVITIES</b>			
Proceeds from loans and borrowings	8	533,327	283,125
Repayment of loans and borrowings		(295,786)	(166,344)
Payment of lease liabilities		(30,445)	(13,715)
Non-controlling interests		-	(2,807)
<b>Net cash from financing activities</b>		<u>207,096</u>	<u>100,259</u>
Increase in cash and cash equivalents		50,685	257,117
Cash and cash equivalents at beginning of the period		1,178,269	1,975,214
<b>Cash and cash equivalents at end of the period</b>		<u>1,228,954</u>	<u>2,232,331</u>
<b>Significant non-cash transactions:</b>			
Projects under construction transferred to property and equipment	6	26,440	-
Other current assets transferred to investments in equity accounted investees		-	25,000



Chief Financial Officer



Chief Executive Officer



Authorized Board Member

The accompanying notes 1 to 14 form an integral part of these condensed consolidated interim financial statements.



**THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA**  
(A Saudi Joint Stock Company)

Condensed consolidated statements of changes in equity  
For the three-month period ended 31 March 2022

	Attributable to equity holders of the Parent Company						Non- controlling interests	Total equity
	Share capital	Statutory reserve	Share premium	Other reserves	Retained earnings	Total		
	SAR '000							
Balance at beginning of 1 January 2021 (Audited)	3,937,500	1,232,034	1,489,103	(18,306)	3,349,350	9,989,681	508,755	10,498,436
Profit for the period	-	-	-	-	43,557	43,557	11,725	55,282
Other comprehensive income	-	-	-	6,859	-	6,859	-	6,859
Total comprehensive income for the period	-	-	-	6,859	43,557	50,416	11,725	62,141
Net change in non-controlling interest	-	-	-	-	-	-	(2,807)	(2,807)
Balance as at 31 March 2021 (Unaudited)	3,937,500	1,232,034	1,489,103	(11,447)	3,392,907	10,040,097	517,673	10,557,770
	SAR '000							
Balance at beginning of 1 January 2022 (Audited)	3,937,500	1,232,034	1,489,103	186	2,754,283	9,413,106	546,891	9,959,997
Profit for the period	-	-	-	-	64,899	64,899	9,644	74,543
Other comprehensive income	-	-	-	11,992	-	11,992	-	11,992
Total comprehensive income for the period	-	-	-	11,992	64,899	76,891	9,644	86,535
Balance as at 31 March 2022 (Unaudited)	3,937,500	1,232,034	1,489,103	12,178	2,819,182	9,489,997	556,535	10,046,532

  
Chief Financial Officer

Chief Executive Officer

  
Chief Executive Officer

Authorized Board Member

  
Authorized Board Member

The accompanying notes 1 to 14 form an integral part of these condensed consolidated interim financial statements.

**THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA**  
**(A Saudi Joint Stock Company)**

**Notes to the condensed consolidated interim financial statements**  
**For the three-month period ended 31 March 2022**

**1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION**

The National Shipping Company of Saudi Arabia (the “Company” or “Bahri” or “Parent Company”), a Saudi Joint Stock Company was established under the Royal Decree No. M/5 dated 12 Safar 1398H (corresponding to 21 January 1978) and registered under Commercial Registration No. 1010026026 dated 1 Dhul Hijjah 1399H (corresponding to 22 October 1979) issued in Riyadh. The Company’s head office located in Olaya district, Olaya Towers (Tower B), Floors (12-15), P.O Box 5101, Riyadh, 1142, Kingdom of Saudi Arabia.

The Company and its subsidiaries listed below (the “Group”) are primarily engaged in purchasing, sale and operating of vessels for the transportation of cargo, and agencies for maritime shipping companies, cargo clearance and coordination for transport and storage on board vessels, and all of the marine transport activities. The Group performs its operations through four distinct segments which are crude oil transportation, chemicals transportation, logistics and dry bulk transportation. The Group is also engaged in the ownership of lands, properties inside or outside the Kingdom, ownership of shares in other existing companies or merges with them and participates with others in establishing companies with similar activities or complementary activities.

The Company’s capital consists of 393,750,000 shares as at 31 March 2022 and 31 December 2021. The par value per share is SAR 10.

The Board of Directors decided in its meeting held on the 6th of February 2022, to recommend to the General Assembly of the Company which will be held on 16 May 2022, to increase the capital to SAR 4,921,875,000. The increase will be through the capitalization of SAR 984,375,000 from statutory reserve. The reason for the increase is to strengthen the capital base of the Company to be matched with the size of Company assets and future projects.

The subsidiaries whose financial information are incorporated into these condensed consolidated interim financial statements are as follows:

Subsidiary	Date of incorporation	Effective Ownership %		Principal Activity	Location
		2022	2021		
NSCSA Inc. – USA	1991	100	100	Company's ship agent	USA
Mideast Ship Management Limited (JLT)	2010	100	100	Ships technical management	UAE
National Chemical Carriers Company Limited (NCC)	1990	80	80	Petrochemical transportation	KSA
Bahri Dry Bulk Company (BDB)	2010	60	60	Dry bulk transportation	KSA
Bahri Bolloré Logistics Company (BBL)	2017	60	60	Logistic Services	KSA

The equity accounted investee companies’ financial information incorporated in these condensed consolidated interim financial statements are as follows:

Equity accounted investees	Date of incorporation	Effective Ownership %		Principal Activity	Location
		2022	2021		
Petredec Limited (note a)	1980	30.3	30.3	Liquefied petroleum gas transportation	Singapore
International Maritime Industries Company	2017	19.9	19.9	Maritime industries	KSA
National Grain Company (note b)	2021	50	50	Packing and storage of grain	KSA

a) The Group’s share in Petredec Limited results for the financial period is recorded as per latest financial statements prepared by Petredec. The difference between the latest financial statements prepared by Petredec and the Group’s condensed consolidated interim financial statements is two months. The fiscal year of Petredec starts on 1 September and ends on 31 August of each Gregorian year.

# THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA (A Saudi Joint Stock Company)

## Notes to the condensed consolidated interim financial statements – continued For the three-month period ended 31 March 2022

### 1. THE COMPANY, ITS SUBSIDIARIES AND ITS BUSINESS DESCRIPTION (CONTINUED)

- b) During August 2020, the Company entered into a joint venture (“JV”) agreement to establish the National Grain Company with United Farmers Investment Company (“UFIC”). The JV aims to build and establish a terminal for handling grains at Yanbu Commercial Port, to meet the future needs of the Kingdom of Saudi Arabia for major crops and cereals. The legal formalities were finalized, and the commercial registration certificate was issued on 31 March 2021. The JV has not yet commenced.

The Company operated through the following branches:

Trade Name	Registration No.	Registration Date	City
The National Shipping Company of Saudi Arabia	1010026026	23/10/1979	Riyadh
The National Shipping Company of Saudi Arabia	4030033402	21/2/1982	Jeddah
The National Shipping Company of Saudi Arabia	2050013881	30/7/1983	Dammam
The National Shipping Company of Saudi Arabia	2055001309	25/7/1984	Jubail
The National Shipping Company of Saudi Arabia	JLT-65807	06/12/2010	Dubai
The National Shipping Company of Saudi Arabia	F06135	26/08/2016	New Delhi

#### Group's Fleet:

As at 31 March 2022, the Group operated by 90 owned vessels and 6 vessels under lease contract (31 December 2021: 90 owned vessels and 6 vessels under lease contract) operating in the following sectors:

**Crude oil transportation sector:** Consists of 47 vessels (31 December 2021: 47 vessels) out of which, 42 very large crude carriers (VLCCs) are operating in the spot market. The Group also owns 5 product tankers, managed commercially by NCC.

**Chemical's transportation sector:** This sector is fully operated by NCC, it owns 28 vessels and 6 vessels under lease contract (31 December 2021: owns 28 vessels and 6 vessels under lease contract) specialized tankers distributed as follows:

- 26 tankers operate in the spot market.
- 3 tankers are chartered to the International Shipping and Transportation Co. Ltd., a subsidiary of Saudi Basic Industries Corporation (“SABIC”), and 5 product tankers are chartered to ARAMCO.

**Logistics sector:** This sector consists of 6 RoCon vessels (31 December 2021: 6 RoCon vessels) operating on commercial lines between North America, Europe, Middle East and the Indian Subcontinent and Asia.

**Dry bulk transportation sector:** This sector is fully operated by BDB, and it owns 9 vessels (31 December 2021: 9 vessels) specialized in transporting dry bulk cargo, 5 of them are chartered to the Arabian Agricultural Services Company (ARASCO), and 4 vessels are operating in the spot market.

### 2. BASIS OF PREPARATION

#### 2.1. Statement of Compliance

These condensed consolidated interim financial statements of the Group have been prepared in accordance with International Accounting Standard “Interim Financial Reporting” (“IAS 34”) as endorsed in the Kingdom of Saudi Arabia (“KSA”) and other standards and pronouncements that are issued by the Saudi Organization for Chartered and Professional Accountants (“SOCPA”).

The condensed consolidated interim financial statements do not include all of the information and disclosures required in full set of annual consolidated financial statements and should therefore be read in conjunction with the Group's last annual Consolidated Financial Statements for the year ended 31 December 2021 (“last annual consolidated financial statements”). However, selected explanatory notes are included to explain events and transactions that are significant to the understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements. The interim results may not be an indicator of the annual results of the Group.

# THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA (A Saudi Joint Stock Company)

## Notes to the condensed consolidated interim financial statements – continued For the three-month period ended 31 March 2022

### 2. BASIS OF PREPARATION (CONTINUED)

#### 2.1 Statement of Compliance (continued)

The Group issued a Sukuk amounting to SAR 3,900 million in 2015 which is due to mature on 30 July 2022 and therefore has been re-classified under current liabilities in these condensed consolidated interim financial statements. Accordingly, as at 31 March 2022, the Group's current liabilities exceeds its current assets by SAR 2,487 million (31 December 2021: SAR 2,773 million). However, management are confident that the Group will meet its obligations as and when they fall due with a combination of profit generation and a financing plan. Accordingly, these condensed consolidated interim financial statements have been prepared on a going concern basis.

#### 2.2. Preparation of condensed consolidated interim financial statements

##### (i) Historical cost convention

The condensed consolidated interim financial statements have been prepared on a historical cost basis, except for:

- Derivative financial instruments and investments in Murabaha fund are measured at fair value.
- Employees end of service benefits are recognized at the present value of future obligations using the Projected Unit Credit Method.

##### (ii) Functional and presentation currency

These condensed consolidated interim financial statements are presented in Saudi Riyal ("SAR"), which is the Company's functional and presentation currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

### 3. BASIS OF CONSOLIDATION

The Company and its subsidiaries are referred to collectively as the "Group". Subsidiaries are entities controlled by the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement in the investee;
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in these condensed consolidated interim financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the condensed consolidated interim financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, unrealized income and expenses and cash flows relating to transactions are eliminated in full on consolidation.

Non-controlling interest are measured at their proportionate share of the acquiree's identifiable net assets at the date of acquisition with fair value.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it:

- De-recognizes the assets and liabilities of the subsidiary;
- De-recognizes the carrying amount of any non-controlling interest;
- De-recognizes the cumulative translation differences, recorded in equity;
- Recognizes the fair value of the consideration received;

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA  
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements – continued  
For the three-month period ended 31 March 2022

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**3. BASIS OF CONSOLIDATION (CONTINUED)**

- Recognizes the fair value of any investment retained;
- Recognizes any surplus or deficit in the condensed consolidated statement of profit or loss;

Reclassifies the Group's share of components previously recognized in condensed consolidated statement of other comprehensive income to condensed consolidated statement of profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Company and its subsidiaries have the same reporting periods except Petredec limited (equity accounted investees) as explained in note 1.

**4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in preparing the Group's annual consolidated financial statements for the year ended 31 December 2021. Certain comparative figures have been reclassified to conform to the current period presentation.

**4.1. Significant accounting judgments, estimates and assumptions**

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates, and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Therefore, actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

In the process of applying the Group's accounting policies, management has made the following estimates and judgments, which are significant to the condensed consolidated interim financial statements:

- Impairment assessment of vessels;
- Measurement of defined benefit obligations; Key actuarial assumptions
- Measurement of ECL allowance for trade receivables and contract assets: key assumptions in determining the weighted average loss rate.

The ongoing outbreak of the coronavirus disease (COVID-19) was declared a pandemic by the World Health Organization in March 2020. The shipping demand for oil and chemicals globally remain largely unaffected by the outbreak and as such the Group continues to operate while considering the health and safety of the workforce. The management of the Group continues to closely monitor the COVID-19 situation although at this point of time, the management is not aware of any factors that are expected to change the impact of the pandemic on the Group's operations during 2022 or beyond. There is no change in estimates and judgements required as a result of COVID-19 assessments in these condensed consolidated interim financial statements.

**4.2. New Standards, Amendment to Standards and Interpretations:**

There are no new standards issued, however, there are number of amendments to standards which are effective from 1 January 2022 and has been explained in Group annual consolidated financial statements, but they do not have a material effect on the Group's condensed consolidated interim financial statements.

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA  
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements – continued  
For the three-month period ended 31 March 2022

5. OPERATING SEGMENTS

The Group has the following four strategic divisions, which are its reportable segments. These divisions offer different services and are managed separately because they have different economic characteristics – such as trends in sales growth, rates of return and level of capital investment – and have different marketing strategies.

a) The following schedule illustrates the Group's activities according to the operating segments for the period ended 31 March:

	Transportation of oil	Transportation of chemicals	Logistics	Transportation of dry bulk	Head office and Others	Total
31 March 2022 (Unaudited)						SAR'000
Revenue	906,102	341,895	263,598	65,112	2,365	1,579,072
Operating cost	(818,354)	(335,308)	(264,400)	(29,128)	3,147	(1,444,043)
Bunker subsidy	17,766	869	2,510	-	-	21,145
Gross profit	105,514	7,456	1,708	35,984	5,512	156,174
General and administrative expenses (Provision)/ reversal on trade receivables and contract assets	(3,465)	(3,102)	(5,427)	(2,326)	(25,003)	(39,323)
Other income/ (expenses), net	(8,235)	1,323	2,876	446	(17)	(3,607)
Finance costs	1,824	820	3,207	107	(139)	5,819
Share in result of equity accounted investees	(29,898)	(10,639)	(2,096)	1,245	5,917	(35,471)
Profit/ (loss) before Zakat & income tax	65,740	(4,142)	268	35,456	(2,528)	94,794

The Group's vessels are deployed throughout the world and are not concentrated in certain geographical areas. The Group's management does not consider the geographical distribution of the group's operations to be relevant for their internal management analysis and therefore no geographical segment information has been disclosed.

All operating segment's results are reviewed regularly by the Group's management to make decisions about resources to be allocated to the segment and assess their performance, and for which discrete financial information is available.

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA  
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements – continued  
For the three-month period ended 31 March 2022

5. OPERATING SEGMENTS (continued)

31 March 2021 (Unaudited)	Transportation of oil	Transportation of chemicals	Logistics	Transportation of dry bulk	Head office and Others	SAR'000 Total
Revenue	687,161	277,237	169,838	52,431	2,532	1,189,199
Operating cost	(614,717)	(258,435)	(212,603)	(27,855)	(3,576)	(1,117,186)
Bunker subsidy	9,597	1,074	1,515	-	-	12,186
Gross profit	82,041	19,876	(41,250)	24,576	(1,044)	84,199
General and administrative expenses	(3,525)	(3,535)	(5,352)	(1,961)	(27,353)	(41,726)
Reversal/ (provision) on trade receivables and contract assets	934	(2,363)	14,473	531	-	13,575
Other income/ (expenses), net	1,229	2,470	1,626	5	(11)	5,319
Finance costs	(29,379)	(5,304)	(2,341)	(3,127)	(2,196)	(42,347)
Share in results of equity accounted investees	-	-	-	-	49,153	49,153
Profit/ (loss) before Zakat & income tax	51,300	11,144	(32,844)	20,024	18,549	68,173

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA  
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements – continued  
For the three-month period ended 31 March 2022

5. OPERATING SEGMENTS (continued)

b) The following schedule illustrates the distribution of the Group's assets and liabilities according to the operating segments:

	Transportation of oil	Transportation of chemicals	Logistics	Transportation of dry bulk	Head office and Others	Total	SAR'000
31 March 2022 (Unaudited)							
Property and equipment	9,388,336	2,267,335	1,134,962	936,241	21,242	13,748,116	
Total assets	11,496,571	4,623,586	2,431,056	1,153,476	2,294,497	21,999,186	
Total liabilities	6,615,343	3,034,523	1,096,138	623,679	582,971	11,952,654	
31 December 2021 (Audited)							SAR'000
Property and equipment	9,520,210	2,307,678	1,151,513	947,381	22,370	13,949,152	
Total assets	11,546,408	4,080,855	2,375,722	1,139,398	2,507,235	21,649,618	
Total liabilities	6,459,985	2,485,103	1,098,856	644,427	1,001,250	11,689,621	



THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA

(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements – continued  
For the three-month period ended 31 March 2022

6. PROPERTY AND EQUIPMENT

	SAR'000								
31 March 2022 (Unaudited)	Building and improvements	Fleet and equipment	Containers and trailers	Furniture and fixtures	Tools and office equipment	Motor vehicles	Computer equipment	Containers yard equipment	Total
Cost									
At 1 January 2022	65,354	22,393,220	10,265	12,402	4,878	3,076	30,636	14,264	22,534,095
Additions/ transfers	-	70,536	-	5	-	-	165	-	70,706
Disposals	-	-	(43)	(3,558)	(2,819)	-	(8,661)	-	(15,081)
At 31 March 2022	65,354	22,463,756	10,222	8,849	2,059	3,076	22,140	14,264	22,589,720
Accumulated depreciation									
At 1 January 2022	48,110	8,473,037	6,882	8,798	4,437	2,166	27,320	14,193	8,584,943
Charge for the period	676	269,767	117	189	78	300	615	-	271,742
Disposals	-	-	(43)	(3,558)	(2,819)	-	(8,661)	-	(15,081)
At 31 March 2022	48,786	8,742,804	6,956	5,429	1,696	2,466	19,274	14,193	8,841,604
Net book value:									
At 31 March 2022	16,568	13,720,952	3,266	3,420	363	610	2,866	71	13,748,116

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA  
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements – continued  
For the three-month period ended 31 March 2022

6. PROPERTY AND EQUIPMENT (continued)

31 December 2021 (Audited)	Building and improvements	Fleet and equipment	Containers and trailers	Furniture and fixtures	Tools and office equipment	Motor vehicles	Computer equipment	Containers		Total
								yard	equipment	
At 1 January 2021	64,187	21,612,256	10,380	12,428	5,004	3,201	29,677	14,433	14,433	21,751,566
Additions/ transfers*	1,167	780,964	-	64	-	-	1,177	-	-	783,372
Disposals	-	-	(115)	(90)	(126)	(125)	(218)	(169)	(169)	(843)
At 31 December 2021	65,354	22,393,220	10,265	12,402	4,878	3,076	30,636	14,264	14,264	22,534,095
Accumulated depreciation										
At 1 January 2021	45,249	7,438,561	6,458	8,107	4,253	1,117	25,001	14,100	14,100	7,542,846
Charge for the year	2,861	1,034,476	539	779	310	1,174	2,537	262	262	1,042,938
Disposals	-	-	(115)	(88)	(126)	(125)	(218)	(169)	(169)	(841)
At 31 December 2021	48,110	8,473,037	6,882	8,798	4,437	2,166	27,320	14,193	14,193	8,584,943
Net book value:										
As at 31 December 2021	17,244	13,920,183	3,383	3,604	441	910	3,316	71	71	13,949,152

\* During 2021, a new vessel was received, and other projects were completed and capitalized amounting to SAR 561 million which transferred from projects under constructions.

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA  
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements – continued  
For the three-month period ended 31 March 2022

**7. PROJECTS UNDER CONSTRUCTIONS**

The movement in projects under constructions is as follows:

	<b>31 March 2022</b> <b>(Unaudited)</b>	31 December 2021 <b>(Audited)</b>
Beginning balance	1,298,464	934,426
Additions	167,948	924,683
Transferred to property and equipment	<b>(26,440)</b>	<b>(560,645)</b>
Ending balance	<b>1,439,972</b>	1,298,464

The Company signed an agreement on 17 December 2019 with Saline Water Conversion Corporation (“Arrows project”), for the construction of 3 floating stations for water desalination with total cost of SAR 760 million, for supplying desalinated water from floating mobile stations to the desalination plants tanks. The construction commenced from January 2020 and the operation is expected to commence during the second half of the year 2022.

NCC signed contracts on 20 August 2020 with Hyundai Mipo Dockyard Company Limited to build 10 chemical tankers for a total amount of SAR 1,538 million. All tankers are expected to be delivered in batches, starting from the second quarter of 2022 until the second quarter of 2023.

**8. LOANS AND BORROWINGS**

	Note	<b>31 March 2022</b> <b>(Unaudited)</b> <b>SAR ‘000</b>	31 December 2021 <b>(Audited)</b> <b>SAR‘000</b>
Sukuk	8.1	3,900,000	3,900,000
Murabaha loans	8.2	5,883,736	5,646,195
Commercial loans	8.3	18,156	18,156
<b>Total loans and borrowings</b>		<b>9,801,892</b>	9,564,351
Less: total current portion		<b>(4,970,969)</b>	<b>(4,963,330)</b>
<b>Non-current loans and borrowings</b>		<b>4,830,923</b>	4,601,021
Less: prepaid financing		<b>(49,965)</b>	<b>(53,001)</b>
<b>Net non-current loans and borrowings</b>		<b>4,780,958</b>	4,548,020
Short-term loans	8.4	97,500	97,500
Current portion of long-term loans		4,970,969	4,963,330
<b>Loans and borrowings - Current Liabilities</b>		<b>5,068,469</b>	5,060,830
<b>Loans and borrowings - Non-Current Liabilities</b>		<b>4,780,958</b>	4,548,020
		<b>9,849,427</b>	9,608,850

**8.1. Sukuk**

On 14 Shawwal 1436H (corresponding to 30 July 2015), the Company completed the issuance and offering of local Sukuk denominated in Saudi Riyal for public offering with nominal value amounted to SAR 3,900 million, and a nominal value of SAR 1 million for each Suk. The Sukuk issuance bears a variable rate of return at (SIBOR) plus a predetermined margin, payable semi-annually. The Sukuk is due to mature at par value on its expiry date of 1 Muharram 1444 (corresponding to 30 July 2022) and accordingly the Sukuk has been reclassified to current liabilities (see note 2.1).

**8.2. Murabaha borrowings**

The Group obtained Murabaha long term loans during period ended 31 March 2022 for a total of SAR 533 million (31 December 2021: SAR 1,353 million). Loans are secured by promissory notes and mortgages against vessels. These loans are repayable over 10 years on quarterly or semi-annual basis. The loans carry commission at normal commercial rates. Balance of loans against which profit to be paid is based on LIBOR as of 31 March 2022 equivalent to SAR 2,042 million (31 December 2021: SAR 2,149 million) and balance of loans against which profit to be paid based on SIBOR at the end of 31 March 2022 totaled to SAR 3,842 million (31 December 2021: SAR 3,497 million). Balance in prepaid financing account related to Murabaha loans at the end of 31 March 2022 is SAR 50 million (31 December 2021: SAR 53).

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA  
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements – continued  
For the three-month period ended 31 March 2022

**8. LOANS AND BORROWINGS (continued)**

**8.3. Commercial borrowings**

The Group did not obtain any commercial long-term loan during period ended 31 March 2022 (31 December 2021: Nil). The existing loans are secured by mortgages against vessels. This loan is repayable over 10 years on semi-annual basis carrying special commission at LIBOR plus normal commercial margin. Balance of the loan against which profit to be paid based on LIBOR as of 31 March 2022 are SAR 18 million (31 December 2021: SAR 18 million).

**8.4. Short term borrowings**

The Group did not obtain any short-term loan during period ended 31 March 2022 (31 December 2021: SAR 97.5 million). The total repayment against short term loans during the period ended 31 March 2022 is Nil (31 December 2021: Nil). The existing loans were utilized to meet working capital requirements during the period.

**8.5. Covenants**

Borrowings agreements include covenants mainly related to maintaining certain ratios of leverage and debt to equity ratio. Under the terms of these agreements, lenders are entitled to demand immediate repayment of loans if these covenants are not met.

**9. EARNINGS PER SHARE**

	For the three-month period ended 31	
	March	
	2022	2021
Profit for the period (SAR 000')	64,668	43,557
Average number of share outstanding during the period	393,750	393,750
Earnings per share - Basic and Diluted (Saudi Riyals)	0.16	0.11

Earnings per share is calculated based on the number of shares outstanding during the three-month period ended 31 March 2022 and 31 March 2021 amounting to 393.75 million shares.

**10. FINANCIAL INSTRUMENTS**

**Fair values of financial instruments**

	31 March 2022 (Unaudited)			Total
	Quoted prices in the active market (Level 1)	Significant observable inputs (Level 2)	Significant Unobservable inputs (Level 3)	
	SAR'000	SAR'000	SAR'000	SAR'000
<b>FVOCI – equity instrument:</b>				
Unquoted equity shares	-	-	7,334	7,334
<b>Financial instruments measured at FVTPL</b>				
Investment in Murabaha fund at FVTPL	188,687	-	-	188,687
CAP commission option				
Assets	-	22,288	-	22,288
Liabilities	-	5,522	-	5,522

THE NATIONAL SHIPPING COMPANY OF SAUDI ARABIA  
(A Saudi Joint Stock Company)

Notes to the condensed consolidated interim financial statements – continued  
For the three-month period ended 31 March 2022

10. FINANCIAL INSTRUMENTS (continued)

	31 December 2021 (Audited)			Total SAR'000
	Quoted prices in the active market (Level 1) SAR'000	Significant observable inputs (Level 2) SAR'000	Significant Unobservable inputs (Level 3) SAR'000	
FVOCI – equity instrument:				
Unquoted equity shares	-	-	7,334	7,334
Financial instruments measured at FVTPL				
Investment in Murabaha fund at FVTPL	188,456	-	-	188,456
CAP commission option				
Assets	-	7,102	-	7,102
Liabilities	-	8,604	-	8,604

11. ZAKAT AND INCOME TAX

The Company's Zakat is based on financial statements of the Company and its wholly owned subsidiaries, in accordance with the Zakat, Tax and Customs Authority ("ZATCA") regulations. The Company and its other subsidiaries file their Zakat and tax returns separately.

The Company has filed its Zakat returns up to 2020 and obtained the Zakat certificate. However, no assessment has been received from ZATCA for the said year.

The Company has received the final assessments for the years 2015 to 2017, claiming additional Zakat of SAR 67.8 million despite closing the mentioned years previously through the fast-track initiative. The Company has submitted an appeal against the assessments and further escalated the appeal to the General Secretariate of Tax Committees ("GSTC") and a response is awaited.

In addition, ZATCA raised the Zakat assessment for the year 2018 claiming additional Zakat of SAR 27.9 million. The Company has submitted an appeal against the assessment and ZATCA has partially accepted the appeal and issued revised assessment which has been escalated by the Company to the GSTC. The Committee for Resolution of Tax Violations and Disputes "CRTVD" within GSTC has issued its decision by adjusting the assessment. The company has further escalated the appeal to Appellate Committee for Tax Violations and Disputes Resolution "ACTVDR" and awaiting their response. Management believes that adequate provision has been made against any potential Zakat and tax liabilities.

12. CAPITAL COMMITMENTS

The Group's capital commitment related to ships under construction and the purchase of property and equipment was SAR 1,071 million as of 31 March 2022 (31 December 2021: SAR 1,207 million).

The Group signed an agreement on 30 May 2017 with Saudi Arabian Oil Company (ARAMCO), Hyundai Heavy Industries Ltd. (South Korea) and Lamprell Power Company Limited (UAE) to enter into a partnership for the establishment, development, and operation of maritime yard in Ras Al Khair City named International Maritime Industries Company (IMI). The partners injections will total SAR 2.985 billion (USD 700 million) of the project cost. As of 31 March 2022, the injected capital from partners was SAR 2.146 billion (USD 492.2 million). The ownership in IMI is as follows; ARAMCO (50.1%), The National Shipping Company of Saudi Arabia (19.9%), Lamprell Power Company Limited (20%), and Hyundai Heavy Industries (10%). The Group has signed an offtake agreement for at least 75% of its commercial vessel needs over a period of 10 years from the start date of the project, equivalent to 52 vessels, including oil tankers "VLCC" - subject to commercial terms and conditions.

13. SUBSEQUENT EVENTS

In the opinion of management, there have been no significant subsequent events for period ended 31 March 2022 that would have material impact on the financial position of the Group as reflected in these condensed consolidated interim financial statements.

14. DATE OF AUTHORIZATION

These condensed consolidated interim financial statements were authorized for issuance on 23 Ramadan 1443H (corresponding to 24 April 2022).